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**REGULATORY EVALUATION,
REGULATORY FLEXIBILITY DETERMINATION,
TRADE IMPACT ASSESSMENT, AND UNFUNDED
MANDATES DETERMINATION**

FINAL RULE

FAA - 2004-18477-3

**AIRCRAFT ASSEMBLY PLACARD REQUIREMENTS
14 CFR Parts 121 and 135**

**OFFICE OF AVIATION POLICY AND PLANS
OPERATIONS REGULATORY ANALYSIS BRANCH
APO-310**

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Executive Summary

This action amends the passenger information rules for scheduled air carriers. It requires a notice or placard informing passengers of the name of the country in which the aircraft was finally assembled. These changes are necessary to respond to an Act of Congress requiring the notice or placard be available to passengers no later than June 12, 2005. The total one-year cost of this final rule is \$522,000.

The final rule will not have an impact on international trade, a significant economic impact on a substantial number of small businesses, or contain any Federal intergovernmental mandates or private sector mandates that would require additional analysis.

I. Introduction and Background

In Section 810 of the FAA Reauthorization Act (December 11, 2003), the Congress directed the Secretary of Transportation to require that each air carrier providing scheduled passenger air transportation display, by June 12, 2005, a notice that informs passengers of the country in which the aircraft they are aboard was finally assembled. This information is to be provided on a notice or placard available to each passenger on the aircraft.

The conference committee report accompanying the legislation interprets the statutory requirement, explaining that it calls for the information on country of final assembly to be available “on the placard in the seat back pocket” on the aircraft. Therefore, this new statement will be included on the seat-pocket cards that are already required to provide information on emergency procedures for the type and model of the aircraft.

II. The Final Rule

Sections 121.571 and 135.117 require that each certificate holder provide cards that supplement the oral briefing given to passengers before takeoff. These cards contain diagrams and operating methods for emergency exit of the aircraft. This rule requires that these cards also inform each passenger of the country in which the aircraft was finally assembled. Congressional guidance made clear that this is the proper place to include the new information.

The FAA envisions a scenario in which each airline can meet the new requirement by temporarily providing the requested information in the form of a sticker attached to each seat-pocket card. We understand that the June 12, 2005, deadline may not provide enough time for each airline to replace every card. The information on the sticker may be added to the printed cards the next time the cards are printed for other reasons.

III. Cost of Compliance

In this analysis, the FAA estimated costs for 2004. As required by the Office of Management and Budget, the present value of these costs was calculated using a discount factor of 7 percent. All costs in this analysis are in 2003 dollars.

Assumptions and Basic Data

- There are 69 domestic and/or flag air carriers in part 121, which includes 6,091 airplanes with 749,952 passenger seats used for scheduled passenger air transportation.
- There are 81 commuter carriers in part 135, consisting of 468 airplanes with 3,744 passenger seats and 21 helicopters with 105 passenger seats for a total of 3,849 seats used for scheduled passenger air transportation.

- An airplane cleaner earning minimum wage (\$7.25 per hour, \$7.80 per hour, taking into account Social Security and Medicare payroll taxes) would apply the stickers.
- Application of each sticker takes one minute and each sticker cost \$0.50.
- A manager would spend 5 hours at GS-14, step 10 pay (\$50.83 per hour, \$62.75 per hour including all benefits)¹ at each carrier to ensure that the program is carried out successfully.
- All costs are one-time costs in 2004; the FAA anticipates that the information on these stickers will be incorporated directly onto the seat-pocket cards when the old ones are replaced.

Part 121 costs

- At \$0.50 per sticker and with 749,952 seats, it will cost part 121 air carriers \$375,000 for the stickers.
- With an application time of one minute per seat, it will take cleaning personnel 749,952 minutes, or 12,499.2 hours to apply the stickers to all part 121 aircraft. Given their loaded salary of \$7.80, the labor cost for applying the stickers equals \$97,500.
- The cost for the part 121 management is calculated by multiplying 5 hours times 69 air carriers times \$62.75 per hour, or \$21,600.

Hence, the one-time cost for part 121 air carriers is \$494,100 (\$461,800 discounted), as shown in Table 1:

Table 1 – Part 121 costs	
	Cost
Stickers	\$375,000
Apply stickers	\$97,500
Airline management	\$21,600
TOTAL	\$494,100

Part 135 costs

- At \$0.50 per sticker and with 3,849 seats, it will cost part 135 air carriers \$1,900 for the stickers.
- With an application time of one minute per seat, it will take cleaning personnel 3,849 minutes, or 64.15 hours to apply the stickers to all part 135 aircraft. Given their loaded salary of \$7.80, the labor cost for applying the stickers equals \$500.
- The cost for the part 135 management is calculated by multiplying 5 hours times 81 air carriers times \$62.75 per hour, or \$25,400.

¹ The 2003 salary for a GS-14, step 10 is \$106,086; their hourly wage is \$50.83 (\$106,086 divided by 2,087 hours). This hourly wage was increased by 1.2345 to account for all fringe benefits, as shown in U.S. Department of Transportation, Federal Aviation Administration, Office of Aviation Policy and Plans, Economic Analysis of Investment and Regulatory Decision - A Guide. (FAA-APO-98-4: January 1996), Table 4-5.

Hence, the one-time cost for part 135 air carriers is \$27,800 (\$26,000 discounted), as shown in Table 1:

Table 2 – Part 135 costs	
	Cost
Stickers	\$1,900
Apply stickers	\$500
Airline management	\$25,400
TOTAL	\$27,800

The total one-year cost of this final rule is \$522,000 (\$487,800, discounted).

IV. Analysis of Benefits

Congress has determined that providing the required information is beneficial to the public. Congress considered all the issues and made an effort to limit the costs to the aviation industry by applying the requirements only to passenger-carrying operations, and specifically scheduled passenger-carrying operations. Unscheduled passenger-carrying operations are not included.

V. Comparison of Costs and Benefits

The final rule will cost \$522,000 (\$487,800, discounted). Congress, which reflects the will of the American people, has determined that this final rule is in the best interest of the nation.

VI. Regulatory Flexibility Determination

The Regulatory Flexibility Act of 1980 (RFA) establishes “as a principle of regulatory issuance that agencies shall endeavor, consistent with the objective of the rule and of applicable statutes, to fit regulatory and informational requirements to the scale of the business, organizations, and governmental jurisdictions subject to regulation.” To achieve that principle, the RFA requires agencies to solicit and consider flexible regulatory proposals and to explain the rationale for their actions. The RFA covers a wide-range of small entities, including small businesses, not-for-profit organizations and small governmental jurisdictions.

Agencies must perform a review to determine whether a proposed or final rule will have a significant economic impact on a substantial number of small entities. If the agency determines that it will, the agency must prepare a regulatory flexibility analysis as described in the Act.

However, if an agency determines that a proposed or final rule is not expected to have a significant economic impact on a substantial number of small entities, section 605(b) of the 1980 RFA provides that the head of the agency may so certify and a regulatory flexibility analysis is not required. The certification must include a statement providing the factual basis for this determination, and the reasoning should be clear.

For this rule, the small entity groups are considered to be part 121 and part 135 air carriers. As shown above, the cost to all part 121 air carriers is \$494,100. Given 69 air carriers, the average cost per carrier is \$7,161. This cost is less than 1% of the annual median revenue for an average part 121 air carrier. Not all part 121 air carriers are small businesses, but for those that are small businesses, their annual revenue far exceeds \$716,100. The cost to all part 135 air carriers is \$27,800. Given 81 air carriers, the average cost per carrier is \$344. This cost is less than 1% of the annual median revenue for an average part 135 air carrier. Not all part 135 air carriers are small businesses, but for those that are small businesses, their annual revenue far exceeds \$34,400. Thus, the FAA certifies that this action will not have a significant economic impact on a substantial number of small entities.

VII. International Trade Impact Statement

The Trade Agreement Act of 1979 prohibits Federal agencies from establishing any standards or engaging in related activities that create unnecessary obstacles to the foreign commerce of the United States. Legitimate domestic objectives, such as safety, are not considered unnecessary obstacles. The statute also requires consideration of international standards and, where appropriate, that they be the basis for U.S. standards. The FAA has assessed the potential effect of this SNPRM and has determined that it would have only a domestic impact and therefore no affect on any trade-sensitive activity.

VIII. Unfunded Mandates Determination

The Unfunded Mandates Reform Act of 1995 (the Act) is intended, among other things, to curb the practice of imposing unfunded Federal mandates on State, local, and tribal governments. Title II of the Act requires each Federal agency to prepare a written statement assessing the effects of any Federal mandate in a proposed or final agency rule that may result in an expenditure of \$100 million or more (adjusted annually for inflation) in any one year by State, local, and tribal governments, in the aggregate, or by the private sector; such a mandate is deemed to be a “significant regulatory action.”

This final rule does not contain such a mandate. The requirements of Title II do not apply.

Economic Summary

Proposed changes to Federal regulations must undergo several economic analyses. First, Executive Order 12866 directs each Federal agency to propose or adopt a regulation only upon a reasoned determination that the benefits of the intended regulation justify its costs. Second, the Regulatory Flexibility Act of 1980 requires agencies to analyze the economic impact of regulatory changes on small entities. Third, the Trade Agreements Act (19 U.S.C. section 2531-2533) prohibits agencies from setting standards that create unnecessary obstacles to the foreign commerce of the United States. In developing U.S. standards, this Trade Act also requires agencies to consider international standards and, where appropriate, use them as the basis of U.S. standards. Fourth, the Unfunded Mandates Reform Act of 1995 (Public Law 104-4) requires agencies to prepare a written assessment of the costs, benefits, and other effects of proposed or final rules that include a Federal mandate likely to result in the expenditure by State, local, or tribal governments, in the aggregate, or by the private sector, of \$100 million or more annually (adjusted for inflation).

In conducting these analyses, FAA has determined this rule: (1) has benefits that justify its costs, is not a "significant regulatory action" as defined in section 3(f) of Executive Order 12866 and DOT's Regulatory Policies and Procedures; (2) will not have a significant economic impact on a substantial number of small entities; (3) will not effect international trade; and does not impose an unfunded mandate on State, local, or tribal governments, or on the private sector. These analyses, available in the docket, are summarized below.

In this analysis, the FAA estimated costs for 2004. As required by the Office of Management and Budget, the present value of these costs was calculated using a discount factor of 7 percent. All costs in this analysis are in 2003 dollars.

Costs

Each of the part 121 and 135 air carriers may put a sticker on the seat-pocket card; an aircraft cleaner may do this during routine cleaning. Application of each sticker takes one minute and each sticker costs \$0.50; there are a total of 749,952 passenger seats used for part 121 scheduled passenger air transportation and 3,849 seats used for part 135 scheduled passenger air transportation. A manager from each air carrier would spend 5 hours to ensure that the program is carried out successfully. The total one-time cost for part 121 air carriers is \$494,100 and for part 135 air carriers is \$27,800; total costs for this program sum to \$522,000. All costs are one-time costs in 2004; the FAA anticipates that the information on these stickers will be incorporated directly onto the seat-pocket cards as part of the normal editing and maintenance procedures.

Comparison of Costs and Benefits

The final rule will cost \$522,000. Congress, which reflects the will of the American people, has determined that this final rule is in the best interest of the nation and is therefore a benefit.

Regulatory Flexibility Determination

The Regulatory Flexibility Act of 1980 (RFA) establishes “as a principle of regulatory issuance that agencies shall endeavor, consistent with the objective of the rule and of applicable statutes, to fit regulatory and informational requirements to the scale of the business, organizations, and governmental jurisdictions subject to regulation.” To achieve that principle, the RFA requires agencies to solicit and consider flexible regulatory proposals and to explain the rationale for their actions. The RFA covers a wide-range of small entities, including small businesses, not-for-profit organizations and small governmental jurisdictions.

Agencies must perform a review to determine whether a proposed or final rule will have a significant economic impact on a substantial number of small entities. If the agency determines that it will, the agency must prepare a regulatory flexibility analysis as described in the Act.

However, if an agency determines that a proposed or final rule is not expected to have a significant economic impact on a substantial number of small entities, section 605(b) of the 1980 RFA provides that the head of the agency may so certify and a regulatory flexibility analysis is not required. The certification must include a statement providing the factual basis for this determination, and the reasoning should be clear.

For this rule, the small entity groups are considered to be part 121 and part 135 air carriers. As shown above, the cost to all part 121 air carriers is \$494,100. Given 69 air carriers, the average cost per carrier is \$7,161. This cost is less than 1% of the annual median revenue for an average part 121 air carrier. Not all part 121 air carriers are small businesses, but for those that are small businesses, their annual revenue far exceeds \$716,100. The cost to all part 135 air carriers is \$27,800. Given 81 air carriers, the average cost per carrier is \$344. This cost is less than 1% of the annual median revenue for an average part 135 air carrier. Not all part 135 air carriers are small businesses, but for those that are small businesses, their annual revenue far exceeds \$34,400. Thus, the FAA certifies that this action will not have a significant economic impact on a substantial number of small entities.

International Trade Impact Statement

The Trade Agreement Act of 1979 prohibits Federal agencies from establishing any standards or engaging in related activities that create unnecessary obstacles to the foreign commerce of the United States. The statute also requires consideration of international standards and, where appropriate, that they be the basis for U.S. standards. The FAA has assessed the potential effect of this rulemaking and has determined that it will impose the same costs on part 121 and 135 operators whether they use aircraft assembled in the

United States or aircraft assembled in some other country. Therefore, it will impose no unnecessary obstacles in foreign commerce.

Unfunded Mandates Determination

The Unfunded Mandates Reform Act of 1995 (the Act) is intended, among other things, to curb the practice of imposing unfunded Federal mandates on State, local, and tribal governments. Title II of the Act requires each Federal agency to prepare a written statement assessing the effects of any Federal mandate in a proposed or final agency rule that may result in an expenditure of \$100 million or more (adjusted annually for inflation) in any one year by State, local, and tribal governments, in the aggregate, or by the private sector; such a mandate is deemed to be a “significant regulatory action.”

This final rule does not contain such a mandate. The requirements of Title II do not apply.